

FISCAL NOTE

HB 232 - SB 203

April 12, 2001

SUMMARY OF BILL: Creates the Tennessee Prescription Fair Pricing Act in the Department of Health, a prescription drug discount plan open to all residents of Tennessee which:

- Authorizes the department to negotiate rebate agreements with prescription drug manufacturers.
- Provides that if any company fails to participate, the department is to prompt a review of whether to place the company's products on the pre-authorization list for TennCare and other state drug plans. The department is to release the company names to the public and publicize to health care professionals the cost of drugs from companies that agree to rebates versus the cost of drugs for non-rebate companies.
- Provides that beginning July 1, 2001, pharmacies are to charge 6 percent below wholesale plus a dispensing fee set by the department and by January 1, 2002 at or below 6 percent of wholesale, plus the dispensing fee and minus the amount of any rebate.
- Provides that the department is to reimburse pharmacies for the discount weekly or bi-weekly and is prohibited from imposing transaction charges on pharmacies.
- Provides that the department is to report to the legislature on the program annually and is to coordinate with other government programs to increase efficiency.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - Exceeds \$2,000,000 Recurring
\$500,000 One-Time**

Other Fiscal Impact: The amount of rebates collected from manufacturers and the amount of remittance to pharmacies cannot be determined but is estimated to exceed \$100,000,000.

Estimate assumes:

- all residents of Tennessee are eligible to participate in the program. The number that would choose to participate cannot be determined but is estimated to exceed 500,000. This assumes that most individuals covered by health insurance or other health care plans, including TennCare, would not participate.

HB 232 - SB 203

- based on experience in the TennCare Program involving average prescription usage and the average amount of rebates received, the estimated amount of rebates received and discounts reimbursed under the program will exceed \$100,000,000.
- the intent of item (D), Part (7), of Section 3 is to remit to the pharmacies the amount of the discount and dispensing fees only.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James A. Davenport, Executive Director